

Nurse Faculty Loan Program (NFLP)

Administrative Guidelines

Authority: Public Health Service Act Sections 846A (42 U.S.C. 297n-1), and 847(f) (42 U.S.C. 297o(f)), as amended by the Patient Protection and Affordable Care Act, Public Law 111-148, Section 5311

Contents

Program Overview	4
Overview of Institutional Management of NFLP Funds	5
Role of School Officials.....	5
Role of the School of Nursing Project Director.....	5
Role of the Financial Aid Office Coordinator	5
Role of the Authorized Official	6
Student Eligibility	6
Citizenship Status.....	6
Enrollment Status.....	6
Enrollment/Support During Dissertation	7
Enrollment During Last Year of Program.....	7
Enrollment Beyond Five Years of NFLP Support.....	7
Leave of Absence from Program	7
Active Military Duty.....	7
Academic Standing.....	8
Default on Other Federal Loans.....	8
Multiple Program Support to Students.....	8
More Than One Service Requirement/Obligation (Employment as Nurse Faculty)	8
Making Loans to NFLP Borrowers.....	8
Maximum Amount of NFLP Loan(s) to NFLP Borrowers.....	8
Entrance Interview	9
Documentation	9
Graduate Records.....	10
Terms and Conditions of NFLP Loans	11
Completion of Nursing Education Program.....	11
Nurse Faculty Employment	11
Change of Name or Address	12
Management of NFLP Loan Fund	12
Cash Balances	12
Retaining the NFLP Loan Fund Balance.....	12
Reporting of NFLP Loan Disbursements.....	12
Cancellation Payments by HHS.....	13
Loan Fund Default Rate.....	13
Write-Off Procedures.....	14
Institutional Termination and Withdrawal.....	14
NFLP Promissory Note.....	14
Payments to NFLP borrowers	15
Loan Notification Letter to NFLP borrowers	15
Cancellation Provision	15
NFLP Request for Postponement of Installment Payments Form	16
NFLP Request for Partial Loan Cancellation Form.....	17
Repayment Provision	18
Grace Period.....	18
Repayment Period.....	18
Repayment Schedule.....	18
Combining NFLP Loans	18
Prepayment	19
Interest.....	19

Disability and Death	19
Cancellation Due to Permanent and Total Disability.....	19
Cancellation Due to Death	20
Deferment of Loan Repayment.....	20
Forbearance	21
Institutional Responsibility in Repayment Process.....	22
Exit Interview.....	22
Exhibit Forms.....	22

Program Overview

The legislative authority governing the NFLP seeks to prepare and train qualified nurse educators to fill faculty vacancies and increase the number of trained nurses entering the workforce. This is accomplished by supporting schools of nursing that prepare students to work as nurse faculty and help train the future nursing workforce.

NFLP schools (herein referenced as grantees) are required to operate a campus-based loan fund to support graduate students that enroll in nurse educator preparation courses, graduate from the program and obtain full-time faculty positions. Grantees are required to design and implement curricula to prepare graduates to apply teaching strategies, develop curricula for both classroom and clinical instruction, and create effective methods for evaluation of student learning outcomes.

Students who receive NFLP funds (herein referenced as borrowers) can be enrolled full or part-time and can receive annual loan support for up to five years. Following graduation from the program, borrowers are expected to obtain full-time faculty employment within 12 months of graduation, and are then eligible for partial loan cancellation over a four year period. The fiduciary obligation of the schools requires the maintenance of borrower records and management of loan cancellation, repayment and collections activity.

Successful NFLP grantees that achieve the intended goals of the program are schools that:

1. Identify and recruit qualified students that are committed to working as nurse faculty;
2. Utilize awarded funds to provide loan support to student borrowers who will graduate from the nursing program;
3. Maintain a high number of student borrowers that obtain employment as full-time nurse faculty following graduation from the nursing program; and
4. Manage efficient process for borrower repayment and collection of outstanding NFLP loan debt.

The NFLP is comprised of a training component -the recruitment, preparation, graduation and employment of qualified nurse faculty – and the fiduciary component that includes the operation and management of all administrative processes including borrower and loan account records management, tracking and reporting. The expectations of the training component of the NFLP are outlined annually in the Funding Opportunity Announcement. This document serves to outline the expectations of the administrative responsibilities of the NFLP including the key roles of staff and the resources and capacity required to effectively manage and operate the revolving loan fund.

Overview of Institutional Management of NFLP Funds

Institutions are responsible for selecting loan recipients and providing NFLP loans to students. Program administration activities include:

- Loan Disbursements and Collections
- Repayment Schedules
- Deferment Review and Approval
- Forbearance Review and Approval
- Disability and Write-off Claims for Review by HRSA
- Biennial Audits
- Submission of Semi-Annual Performance Reports

The NFLP agreement requires institutions to establish and operate the NFLP fund in accordance with HRSA student financial aid guidelines. For additional information on managing the loan fund, see the HRSA Student Financial Aid Guidelines web site for other HRSA loan programs at http://bhpr.hrsa.gov/dsa/sfag/Financial_Management/financial_management.html.

The HRSA Fiscal Management web site provides general guidance and procedures for other HHS programs that are similar to the NFLP. The specific requirements for the NFLP may differ (*i.e.*, repayment periods, cancellation provisions, service obligation requirements, exhibits). Institutions should contact the Division of Nursing and Public Health staff for any clarification of program guidelines.

Role of School Officials

Communication between key personnel must be maintained to properly monitor the status of NFLP borrowers. Key personnel must discuss and plan their respective roles in administering the NFLP prior to submitting the application.

Role of the School of Nursing Project Director

The school of nursing is the eligible applicant and as such, must prepare and submit the NFLP application, not the financial aid office or other administrative unit. The school of nursing must notify the financial aid office of its intent to apply for an NFLP award and work with the financial aid office on activities such as, but not limited to, advising potential NFLP borrowers and submitting required reports.

Role of the Financial Aid Office Coordinator

The financial aid office generally oversees many of the fiduciary components of the NFLP fund (*i.e.*, issuing the Promissory Note and verifying employment status, repayment/cancellation schedules and collections following graduation). The financial aid office may be responsible for completion and submission of the NFLP semi-annual performance report and may work with a designated office within the school. The financial aid office should work with the school of nursing on activities such as, but not limited to, advising potential NFLP borrowers and submitting required reports.

Role of the Authorized Official

The authorized official of the applicant school is the person legally and financially responsible for the use and disposition of any HHS funds awarded on the basis of this NFLP application; and certifies that the information in the application is correct and the school agrees to comply with the applicable terms and conditions placed on the award. The school must immediately notify HRSA of any change in key personnel cited in the application. Schools must request prior approval for any change in the NFLP Project Director using the HRSA Grants.gov under the “Prior Approvals” section. Awardees should contact the HRSA Contact Center at (877) 464-4772 for assistance.

Student Eligibility

Institutions must ensure that NFLP borrowers meet the eligibility criteria to receive NFLP loans and verify the accuracy of the applicant’s information to determine eligibility.

Institutions must:

- Assess the graduate’s level of commitment to complete the program and whether they plan to complete the 4-year period of employment in order to receive partial loan cancellation,
- Determine whether the graduate will attend full-time or part-time during the academic year. Institutions must monitor the graduate’s enrollment during the academic year(s) of the program to ensure that the required “educator” coursework is completed prior to graduation from the program.

IMPORTANT NOTE: NFLP borrowers must complete the education component(s) required to prepare them as qualified nurse faculty prior to completing the program of study.

Citizenship Status

NFLP borrowers must be a citizen or national of the United States, or a lawful permanent resident of the 50 States, the District of Columbia, Guam, the Commonwealth of Puerto Rico, the Northern Mariana Islands, American Samoa, the U.S. Virgin Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. NFLP borrowers in the United States on a student or visitor's visa are **not** eligible for a NFLP loan.

Enrollment Status

NFLP borrowers must be enrolled full-time or part-time in an eligible advanced education nursing degree program (Master’s or Doctoral) that offers an education component(s) to prepare them as qualified nurse faculty. Institutions must define the minimum for “full-time” or “part-time” status for the program as recorded by the Registrar’s office.

NFLP borrowers must enroll in and complete the specified educator course(s) for the degree program prior to graduating from the program.

NFLP borrowers must maintain enrollment for a minimum of **two consecutive terms/semesters**

(either full-time or part-time) during an academic year that NFLP loan support is awarded.

There are limited situations where exceptions are permitted related to some of the aforementioned enrollment status requirements:

Enrollment/Support During Dissertation

NFLP borrowers enrolled during the dissertation phase of the nursing degree program must have received prior NFLP loan support to receive support during the dissertation phase and must have completed the specified education course(s) before graduation from the program of study.

Enrollment During Last Year of Program

NFLP borrowers enrolled in the last year of the nursing degree program are not required to enroll for 2 consecutive terms if the program requirements are met during one term/semester in the last year of the program to complete the degree.

Enrollment Beyond Five Years of NFLP Support

NFLP borrowers enrolled beyond five years to complete the master's or doctoral nursing degree program are not eligible to receive NFLP loan support beyond the maximum five years allowed. NFLP borrowers do not enter repayment status until 9 months following graduation.

Leave of Absence from Program

Temporary leave of absence from the nurse education program that is:

- Approved by the school.
- In accordance with the institution's student enrollment and leave policy,
- Is not considered to be a breach of the NFLP Promissory Note by the borrower.

Institutions are to make a determination that there is a reasonable expectation that the student will return to the school.

Institutions must require NFLP borrowers to provide a written, signed, and dated request that includes the reason for the request prior to the leave of absence. However, if unforeseen circumstances prevent a graduate from providing a prior written request, institutions may grant the graduate's request for a leave of absence if the institution documents its decision and collects the written request at a later date.

Active Military Duty

Temporary leave under the NFLP includes a period up to 3 years during which the borrower is ordered to active duty as a member of a uniformed service of the United States (Army, Navy, Marine Corps, Air Force, Coast Guard, the National Oceanic and Atmospheric Administration Corps, or the U.S. Public Health Service Corps). This does NOT include a borrower who either voluntarily joins a uniformed service or is employed by one of the uniformed services in a civilian capacity.

Academic Standing

NFLP borrowers must be in good academic standing, as defined by your institution, and capable of maintaining good academic standing in the course of study. Institutions may choose to apply the satisfactory academic progress guidelines for programs under Title IV of the Higher Education Act. If a graduate ceases to be a student in good academic standing, your institution must stop disbursement of the NFLP loan.

Default on Other Federal Loans

According to federal law, NFLP borrowers are ineligible to receive a NFLP loan if a judgment lien has been entered against him/her based on the default on a federal debt, 28 U.S.C.3201(e).

Multiple Program Support to Students

NFLP borrowers may receive support from other federal programs, in addition to NFLP support, provided that the funds are not used to cover the same costs during the academic year. NFLP borrowers may already receive other federal support that does not cover all costs (tuition, fees and other expenses) for the academic period; in this case, the student may receive NFLP support to cover the remaining costs, excluding stipend support.

More Than One Service Requirement/Obligation (Employment as Nurse Faculty)

Institutions must inquire, when awarding an NFLP loan, if the NFLP loan recipient has incurred any other service obligation under another federal program for educational support. NFLP borrowers must understand that a service requirement/obligation incurred under another federal program for educational support must remain separate and distinct and cannot be combined. NFLP borrowers who have more than one service requirement/obligation must meet those requirements in addition to NFLP.

Making Loans to NFLP Borrowers

Institutions must offer full support for the amount requested by the graduate to cover the full or partial tuition/fees for the academic year, not to exceed \$35,500 during academic year 2015-2016. Full support includes the cost of tuition, fees, books, laboratory expenses and other reasonable education expenses. Institutions must make loans to continuing NFLP students ahead of new NFLP students.

IMPORTANT NOTE: NFLP loans **do not** include stipend support (*i.e.*, living expenses, student transportation cost, room/board, personal expenses).

Maximum Amount of NFLP Loan(s) to NFLP Borrowers

NFLP loans to a student borrower must not exceed \$35,500 for an academic year. Institutions

must inform NFLP borrowers that, subject to the availability of funds and the graduate maintaining good academic standing, the NFLP loan will be made annually for the period required to complete the course of study.

NFLP loan support to a student borrower must not exceed five (5) years. The student may remain enrolled but must not receive additional loan support. The NFLP loan(s) made to a student borrower is not transferable to another institution. NFLP borrowers may transfer to another participating NFLP school and request NFLP loan support; however, the cumulative total must not exceed the maximum of \$35,500 per academic year, and not to exceed 5 years of support.

The NFLP is not a need-based program. The Free Application for Federal Student Aid (FAFSA) and other financial records are not required to determine eligibility for the NFLP borrower. However, FAFSA data may be used to confirm U.S. citizenship and non-default status on federal loans.

Entrance Interview

Institutions must conduct and document an entrance interview for each academic year during which the graduate receives the NFLP loan. Institutions are not required to conduct an entrance interview each time a graduate receives a disbursement within a single academic year; however, many institutions have found requiring a graduate to complete a new "borrower information" form at the time of each disbursement to be useful in the collections process.

Documentation

Institutions are responsible for maintaining NFLP records. Institutions may be required to provide documentation to HRSA, if requested.

Institutions are responsible for distributing NFLP applications to NFLP borrowers. **EXHIBIT C** is the NFLP Loan Application that is completed during the entrance interview. The NFLP loan application must contain sufficient information for your institution to determine if the graduate meets the eligibility criteria for the program and to assist your institution in the loan collection process, if necessary, after the graduate leaves.

Institutions must document that the graduate has been informed of these service obligations associated with the cancellation of the loan. See Collections under the HRSA Student Financial Aid Guidelines web site for other similar HRSA loan programs at http://bhpr.hrsa.gov/dsa/sfag/Financial_Management/financial_management.html for entrance interview requirements. No matter what format or method your institution uses to conduct an entrance interview, you must document that the graduate is aware of the rights and responsibilities associated with the NFLP loan.

Institutions may use a:

- separate statement listing the graduate's rights and responsibilities (EXHIBIT B) which the graduate must sign and date to acknowledge that he or she has been

- provided the information; and
- Statement of the graduate's rights and responsibilities that is incorporated into a disclosure document.

Institutions must document truth-in-lending disclosure to the graduate. As required by the new provisions in the Truth-in-Lending, Regulation Z, published August 14, 2009, institutions are responsible for providing the appropriate required disclosures to NFLP borrowers.

The responsibility for compliance with the regulation rests with your institution, and it is recommended that your institution consults with their legal counsel for specific guidance on its applicability.

Institutions must:

- disclose terms and conditions of the loan with the graduate;
- allow NFLP borrowers to accept the loan at any time within thirty days after receiving the approval disclosures;
- allow NFLP borrowers the right to cancel the loan without penalty for three business days after receiving the final disclosures; and
- obtain a signed "self-certification form" from the graduate before consummating the loan.

Institutions must document entrance interviews by maintaining the papers signed by the graduate in his/her file. Documentation consists of evidence that the graduate:

- is aware of his/her rights and responsibilities; and
- has provided information to aid in skip tracing, if needed.

Institutions have the discretion in deciding which office (e.g., financial aid, fiscal, loan collection, Dean's) will be responsible for entrance interviews.

Graduate Records

Institutions must maintain an individual file for each NFLP loan recipient and maintain these records for at least three years after the loan is retired. This file should contain clear evidence of how your institution evaluated each application for financial assistance. Even if no funds were awarded, your institution must retain evidence of rejection, cancellation, or declination for the same period of time.

Graduate files must contain documents relating to each academic year application so that each application cycle is complete and auditable. Graduate files must, at a minimum, include the types of documents that support this information, which include:

- Approved graduate applications.
- Loan notification letter (institutional copy).
- Copy of signed Promissory Note(s).
- Signed disclosure (*i.e.*, Statement of Borrower's Rights and Responsibilities, Exhibit B).
- Signed disclosure (*i.e.*, Truth in Lending).

- Records of enrollment status for each academic year of NFLP support.
- Records of payments and cancellation.
- Records of approved leave of absence, deferment, forbearance, or default.

HHS permits institutions the option to maintain their records in a variety of formats.. Record keeping formats include:

- Electronic
- Microfiche/microfilm
- Paper

For information on maintenance of records, see the HRSA Student Financial Aid Guidelines web site for other similar HRSA loan programs at

http://bhpr.hrsa.gov/dsa/sfag/Financial_Management/financial_management.html.

Terms and Conditions of NFLP Loans

Completion of Nursing Education Program

The NFLP recipient must agree to the terms and conditions of the NFLP loan as specified in the Promissory Note signed by the graduate. NFLP borrowers must enroll full-time or part-time for two consecutive terms/semesters during the academic year and complete the nursing education program(s) that prepares the graduate to become nurse faculty.

IMPORTANT NOTE: The education course/component(s) offered must be completed while receiving NFLP support and prior to graduating from the program. Institutions must inform NFLP borrowers of the employment and repayment guidelines for NFLP borrowers.

Nurse Faculty Employment

Following graduation from the nursing education program, NFLP borrowers may receive partial loan cancellation upon establishing employment as full-time nurse faculty at an accredited school of nursing, and providing documentation attesting to such employment.

“Nurse Faculty” is defined as an academic educator or academic/clinical educator appointment. Under NFLP, a part-time faculty role, part-time clinical instructor role or non-academic role does not qualify. “Full-time” nurse faculty employment is defined by the employer of the graduate.

NFLP borrowers, following graduation, must submit certification of employment to the lending institution within a reasonable timeframe as determined by the lending institution. A sample certification of employment form is provided as **EXHIBIT D**. At a minimum, the certification of employment must state the date the graduate began full-time employment as nurse faculty in accordance with the terms of the NFLP Promissory Note and must be signed and dated by the graduate.

IMPORTANT NOTE: NFLP borrowers are responsible for submitting the certification of employment forms to your institution (the lending school) in order to determine the interest rate applicable to the unpaid loan balance. Institutions must advise the graduate of this instruction during the exit interview process.

- **Leave During Employment** – Paid or unpaid leave needs to be consistent with the institution's policy and is subject to supervisory approval.
- **Changing Employment** – A reasonable period of time to change from one place of employment to another does not constitute a break in employment.

NFLP borrowers must notify the lending institution of termination of full-time employment as faculty prior to completion of a year within 30 days after the last day of such employment, and the lending institution must then place the graduate back into repayment with installment payment(s) payable to the lending institution according to the graduate's repayment schedule.

Change of Name or Address

NFLP borrowers are required to inform the lending institution of any change of name or address after ceasing to be a graduate student at the school of nursing. The graduate must also inform the lending institution of any change of name or address during the repayment period.

Management of NFLP Loan Fund

Cash Balances

Institutions are encouraged to review the cash balance in their NFLP loan fund on a semi-annual basis. Refer to Collections under the HRSA Student Financial Aid Guidelines web site for other HRSA loan programs at http://bhpr.hrsa.gov/dsa/sfag/financial_management/bk3prt2.htm for information about cash balances.

Retaining the NFLP Loan Fund Balance

Active NFLP awardees are permitted to retain the NFLP loan fund balance in the revolving institutional loan fund account without fiscal year restriction. The loan fund balance must continue to be disbursed through the current budget/project period. When the NFLP performance report is approved by the Program office for the reporting period, institutions will be permitted to retain the loan fund balance as reported. If the Program Office determines that there is an excessive loan fund balance, your institution will be notified.

Reporting of NFLP Loan Disbursements

Institutions are required to report NFLP loan disbursements annually when the NFLP semi-annual performance report is completed and submitted to HSRA.

Cancellation Payments by HHS

When cancelling all or any part of a loan or interest, the Secretary of HHS will pay to the institution an amount equal to your institutions proportionate share of the cancelled portion, as determined by the Secretary.

Loan Fund Default Rate

The NFLP loan default rate is implemented as a performance standard to actively monitor the collection of outstanding loan debt associated with the NFLP loan fund account. Institutions must have a default rate (as calculated under paragraph (a) of this section) of not more than 5 percent.

- a. The default rate shall be the ratio (stated as a percentage) that the defaulted principal amount outstanding bears to the matured loans of the school. For this purpose:
 - i. The term “defaulted principal amount outstanding” means the total amount borrowed from the loan fund of your institution that has reached the repayment stage (minus any principal amount repaid or canceled) on loans in default for more than 120 days; and
 - ii. The term “matured loans” means the total principal amount of all loans made by your institution under this subpart minus the total principal amount of loans made to NFLP borrowers who are:
 - i. Enrolled in a full-time or halftime course of study.
 - ii. In their grace period.
- b. Institutions having a default rate greater than 5 percent on June 30 of any year will be required to:
 - i. Reduce its default rate by 50 percent (or a school with a default rate below 10 percent must reduce its rate to 5 percent) by the close of the following 6-month period; and
 - ii. By the end of each succeeding 6-month period, reduce its default rate to 50 percent of the required rate for the previous 6-month period, until it reaches 5 percent.
- c. Any institution subject to the provisions of paragraph (b) of this section that fails to comply with those requirements will receive no new NFLP funds and will be required to:
 - i. Place the revolving fund monies and all subsequent collections into an insured interest-bearing account;
 - ii. Make no loan disbursements; and
 - iii. By the end of the succeeding 6-month period, reduce its default rate to 50 percent of the rate it failed to achieve under paragraph (b) of this section, or 5 percent. Institutions meeting this requirement will be permitted to resume the use of its nursing student loan funds, but must continue to comply with the requirements of paragraph (b)(2) of this section if its default rate is still greater than 5 percent. Institutions meeting the requirements of subparagraph (c)(3) of this section will be permitted to resume the use of its NFLP funds, but must continue to comply with the requirements of subparagraph (b)(2) of this section if its delinquency rate

is still greater than 5 percent.

Write-Off Procedures

Institutions must adhere to the policies and procedures for write-off review of uncollectible loans. If an institution writes off a loan, it retains the authority to collect the loan if collection is possible at a later time. Institutions must notify the Division of Nursing and Public Health through the reporting process of subsequent collections on loans approved for write-off.

For more guidance on write-off procedures, review the Collections section under the HRSA Student Financial Aid Guidelines web site for other HRSA loan programs at http://bhpr.hrsa.gov/dsa/sfag/financial_management/bk3prt2.htm.

Institutional Termination and Withdrawal

Upon withdrawal or termination of institutional participation in the program, the balance in the NFLP fund will be distributed between the HHS and your institution in proportion to the amounts contributed by each. Institutions having active loan repayments or collections to the loan fund must remit the Federal Government's proportionate share of amounts received thereafter in payment of loan collections and any other earnings on a quarterly basis. Institutions having no loan fund activity (i.e., no loan disbursements from the loan fund) must remit the Federal Government's proportionate share of amounts received.

At the time of each quarterly remittance, institutions must withdraw their proportionate share of the quarterly cash accumulation from the fund. See Collections under the HRSA Student Financial Aid Guidelines web site for other HRSA loan programs at http://bhpr.hrsa.gov/dsa/sfag/Financial_Management/financial_management.html for a description of procedures for remittance of collections.

Remittance checks must:

- be made payable to the U.S. Department of Health and Human Services;
- include the regular NFLP CAN# 3720333, the school's entity identification number, the grant number, and the PMS Payee Account Number; and be mailed to:

U.S. Department of Health and Human Services PSC/FMS/Division of Payment Management
P.O. Box 6021
Rockville, Maryland 20852

NFLP Promissory Note

Each NFLP loan made to NFLP borrowers must be documented by a Promissory Note which describes the terms and conditions of the loan (**EXHIBIT A**). NFLP borrowers must sign the Promissory Note prior to disbursement of loan funds for the academic year. EXHIBIT A is a sample copy of the **open-end** Promissory Note that your institution may use to maintain a "single" Note signed each time a graduate receives a loan advance. Institutions are permitted to use a **closed-end** Promissory Note to maintain a "separate" Note for a specific period each time a graduate receives a loan advance. The loan amounts advanced to the graduate for the combined academic period(s) of NFLP support should be combined for repayment of the total of loans

made to the graduate. Institutions must give NFLP borrowers an updated copy of the Promissory Note. Institutions may establish an “electronic” Promissory Note for the NFLP at their institution. For information about the standards to be followed when using electronic promissory notes with electronic signatures, please reference the sample at <http://bhpr.hrsa.gov/scholarshipsloans/forms/mpromnsl.pdf>.

IMPORTANT NOTE: Modification of the terms specified in the Promissory Note requires prior approval by HRSA.

The Promissory Note is the legal document that binds NFLP borrowers to his/her repayment obligations. Institutions must ensure that the Promissory Note is complete, legible and signed. Any change in the statute that affects the terms of the Promissory Note requires that a new Promissory Note be signed for future loans. The Promissory Note is a major asset and institutions must adequately safeguard it against fire, theft, and tampering. The particular method of insuring this protection is your institutions responsibility.

Payments to NFLP borrowers

Institutions determine the number and the amount of loans disbursed to the graduate. However, NFLP loans may not exceed what your institution determines is necessary for the borrower to pay for any academic year (e.g., semesters, terms, or quarters). Institutions may advance payments directly to the graduate or you may credit the disbursement to the graduate’s tuition account. In either case, payments must be clearly documented.

Institutions must stop disbursement to the NFLP recipient if the borrower:

- Withdraws from the institution.
- Fails to meet the academic standards of the institution.
- Requests to terminate NFLP participation.
- Received five years of NFLP loan support.

Loan Notification Letter to NFLP borrowers

After your institution has determined individual NFLP loans, it must send a loan notification letter to each graduate. The letter must provide a space for the graduate to accept or reject the NFLP loan. Duplicate copies of the letter must be provided so that the graduate can retain one copy and return the original copy to the institution.

Cancellation Provision

The NFLP is a direct loan program with a cancellation provision for recipients of the loan. Section 846A(c)(3) of the Public Health Service Act authorizes the lending school to cancel up to 85 percent of the NFLP loan. NFLP borrowers must serve as full-time nurse faculty for a

consecutive four-year period at an accredited school of nursing following graduation from the program to cancel the maximum amount of the loan.

NFLP borrowers may cancel:

- 20 percent of the principal and the interest on the amount of the unpaid loan balance upon completion of each of the first, second, and third year of full-time employment; and
- 25 percent of the principal of and the interest on the amount of the unpaid loan balance upon completion of the fourth year of full-time employment.

Example 1:

If the graduate is employed as full-time nurse faculty for 4 consecutive years following graduation from the program, the principal and interest on the unpaid balance of the loan will be cancelled at the end of each year; 20 percent for the first, second and third year and 25 percent for the fourth. The lending institution must establish a repayment schedule for the graduate to begin repayment of remaining unpaid principal and interest.

Example 2:

If a graduate is employed full-time as nurse faculty for 2 consecutive years following graduation and ceases employment in the third year, 20 percent of the unpaid principal and interest will be cancelled at the end of the first and second year; however, the graduate may NOT request cancellation of unpaid principal and interest in the third year. The lending school institution must establish a repayment schedule and the graduate must begin repayment of the remaining unpaid principal and interest on the first day after the last date of employment at the prevailing market rate.

The Promissory Note, which specifies the terms and conditions of the NFLP loan, binds the graduate to his/her repayment obligation and states the provisions for loan cancellation.

NFLP borrowers are responsible for requesting loan cancellation. After the end of each complete year of employment, the graduate must submit a *NFLP Request for Partial Cancellation Form* (See below).

NFLP borrowers must understand that a service requirement/obligation under more than one federal program must remain separate and distinct and must not be combined. NFLP borrowers who have more than one service requirement/obligation must meet the service requirements for any other program(s) in addition to NFLP.

NFLP Request for Postponement of Installment Payments Form

When a graduate is employed as full-time faculty at an accredited school of nursing and requests partial cancellation of the loan at the end of each complete year of employment, the graduate may obtain a postponement of installment payments on the loan.

NFLP borrowers may submit the ***Request for Postponement of Installment Payment Form (EXHIBIT G)*** for each period of cancellation.

IMPORTANT NOTE: NFLP borrowers are responsible for submitting the *Request for Postponement of Installment Payment* form to your institution (the lending school). Institutions must advise the graduate of this instruction during the exit interview process.

This form is intended to notify the lending institution that repayment is not expected from the NFLP borrower. The form requires the graduate to:

- Complete Part I
- Obtain certification by the employing school of nursing, Part II
- Forward the original and one copy to the lending institution

Institutions must notify the graduate of the approval of the Request for Postponement of Installment Payment and retain the form in the graduate's file. The lending institution must maintain current loan accounts for the graduate documenting any periods of postponement of payments.

NFLP Request for Partial Loan Cancellation Form

NFLP borrowers qualify to request partial loan cancellation each year while employed as full-time nurse faculty at an accredited school of nursing over a consecutive 4-year period. To receive loan cancellation, the graduate must submit the ***Request for Partial Cancellation of Loan Form (EXHIBIT E)*** to the lending institution at the end of each complete year of full-time employment as faculty at a school of nursing.

IMPORTANT NOTE: NFLP borrowers are responsible for submitting the *Request for Partial Loan Cancellation* form to your institution (the lending school). Institutions must advise the borrower of this instruction during the exit interview process.

This form requires the borrower to:

Complete Part I.

- Obtain certification by the employing school of nursing to complete Part II.
- Forward the original and one copy to the lending institution for cancellation of loan at the appropriate rate in lieu of payment.

Institutions will then complete Part III indicating the amount of cancellation (and interest) and return a copy to the graduate as the receipt that it approved the loan cancellation. If the graduate takes a break from full-time employment as nurse faculty during the year, the graduate is not eligible for loan cancellation and must begin repayment of the NFLP loan, unless the graduate is approved and eligible for NFLP loan deferment or forbearance.

Repayment Provision

Grace Period

The grace period for NFLP loan repayment is 9 months and begins immediately after the graduate ceases to pursue a course of study at the school of nursing. While the NFLP loan bears interest on the unpaid balance at the rate of 3 percent per annum beginning 3 months upon graduation from the program, neither interest nor principal is required to be paid during the 9-month grace period. During the grace period, NFLP borrowers may repay the loan but are not required to do so.

Repayment Period

The 10-year repayment period for an NFLP loan begins following a 9-month grace period after the graduate ceases to be enrolled as a student in the advanced nurse education program.

Following graduation from the program, NFLP borrowers who fail to establish employment as full-time nurse faculty at a school of nursing must begin repayment of the NFLP loan following the 9-month grace period at the prevailing market rate.

The unpaid loan balance is repayable in equal or graduated periodic installments over a 10-year repayment period. Installment payments must be made no less often than quarterly, in equal or graduated installments, in accordance with the terms of the schedule provided by the lending institution and agreed to by the graduate. Refer to Collections under the HRSA Student Financial Aid Guidelines web site for other HRSA loan programs at http://bhpr.hrsa.gov/dsa/sfag/Financial_Management/financial_management.html as a resource for establishing repayment schedules.

Repayment Schedule

If the graduate ceases to be enrolled in the advanced education nursing program, the NFLP loan is repayable in equal or graduated periodic installments a 10-year period that begins 9 months after the date the graduate was no longer enrolled in the nursing program.

For NFLP borrowers not employed full-time as nurse faculty at a school of nursing following the 9-month grace period, the NFLP loan is repayable in equal or graduated periodic installments over a 10-year period.

If the graduate's NFLP loan has been cancelled for the maximum portion (up to 85 percent) of the principal amount of the loan and interest, the remaining amount (15 percent or more depending upon years of employment) of the unpaid loan balance is repayable in equal or graduated periodic installments over the remaining six years of the repayment period.

Combining NFLP Loans

When NFLP borrowers have more than one NFLP loan outstanding, the sum of the amounts loaned must be combined for repayment purposes (*i.e.*, multiple loans disbursed to a graduate

during the academic year or years of support).

NFLP loan disbursements from more than one NFLP institution cannot be combined for repayment purposes.

Prepayment

NFLP borrowers may, at his or her option and without penalty, prepay all or any part of the principal and accrued interest at any time. If an accelerated payment is made, that prepayment must first be applied to any accrued interest and then to the principal balance.

Interest

The NFLP loan bears interest on the unpaid balance at the rate of 3 percent per annum beginning 3 months after graduation from the program. NFLP borrowers employed as full-time nurse faculty at an accredited school of nursing for a consecutive four-year period will bear interest at the rate of 3 percent for the four-year period and the remaining six years of the repayment period.

If the lending institution determines that the graduate will either fail to complete the course of study or fail to establish full-time employment as faculty following graduation from the program, the loan will bear interest on the unpaid balance at the prevailing market rate.

The prevailing market rate is determined by the Treasury Department and is published quarterly in the Federal Register. The rates are fixed. Refer to the HHS Office of Finance web site at <http://dhhs.gov/asfr/of/finpollibrary/chronorates.html> for information on the "consumer interest" rates.

Disability and Death

Institutions must immediately notify the Program Office at HRSA of any NFLP loan cancellation due the disability or death of the graduate.

Cancellation Due to Permanent and Total Disability

NFLP borrowers are entitled to cancellation of any remaining payment of the NFLP loan in the event of permanent and total disability. Permanent and total disability is defined as unable to engage in gainful employment of any kind because of a medically determined impairment that is expected to continue for a long and indefinite period of time or to result in death. The Secretary of HHS or a designee will make this determination based on medical certification submitted by the graduate supporting their disability and will cancel the NFLP loan upon approval.

To claim cancellation for disability, a graduate must submit a formal request to the lending institution that awarded the loan along with the following documentation:

- Date entered and date graduated or date studies terminated.

- Total amount of loans obtained.
- Amount of unpaid balance.
- Nature and date of onset of the disability.
- Employment history prior to disability.
- Statement of financial support.
- Current medical examination and/or treatment.

The medical report must be sufficiently detailed to provide for a comprehensive review to determine the nature, duration, and extent of the impairment and prognosis. Supporting documentation must include history of illness, medical examination(s), inpatient and outpatient treatments, current medications, and copies of all pertinent past medical records and a prognosis and rehabilitation plan.

A signed and dated statement must accompany the medical documentation from the graduate's physician documenting permanent and total disability according to the definition above. The lending institution must obtain from the graduate consent for release of information allowing the release of any required information on the disability to HHS. Institutions will be formally notified of the Secretary's decision and must retain the written notification of the decision on file for audit and other review purposes. Institutions must report the amount of the loan cancelled on its Annual Operating Report.

A disability checklist is provided as **EXHIBIT F** for the institution to use in obtaining the required documentation to submit claims for permanent and total disability. Institutions must report the amount of the loan cancelled on its Annual Operating Report.

Cancellation Due to Death

Institutions must retain the documentation in the graduate's file for audit purposes. Institutions must report the amount of the loan cancelled on its Annual Operating Report. The Secretary of HHS or a designee will cancel the unpaid balance of the NFLP loan and accrued interest of a loan upon submission to the institutions of a death certificate or other official proof of death of the graduate. Institutions *will be formally notified of the Secretary's decision and must retain the written notification of the decision* on file for audit and other review purposes.

Deferment of Loan Repayment

Deferment options under the NFLP are limited. NFLP borrowers are eligible for deferment for up to 3 years –

- When the graduate is ordered to active duty as a member of a uniformed service of the United States (Army, Navy, Marine Corps, Air Force, Coast Guard, the National Oceanic and Atmospheric Administration Corps, or the U.S. Public Health Service Commissioned Corps); a graduate who voluntarily joins a uniformed service is NOT eligible for deferment, nor is a graduate who is employed by one of the uniformed services in a civilian capacity.

- When the borrower has graduated and been employed, and then decides to return to a graduate nursing education program to pursue a doctoral degree to further their preparation as nurse faculty.
- When the NFLP borrower NFLP borrowers and participates in post-doctoral program.

Institutions must not put a graduate into deferment status unless the graduate submits a deferment request form (**EXHIBIT H**). Deferments are not automatic. NFLP borrowers must file deferment forms for each period of deferment and request deferments at least 30 days before the beginning of:

- The activity that makes the graduate eligible for deferment.
- The repayment period (i.e., the due date of the first payment) if the graduate is beginning the activity during the grace period.

During periods of deferment, interest on the loan continues to accrue at the prevailing market rate but is not required to be paid during this period. During the period of deferment, the graduate may repay the interest if they wish but is not required to do so.

Deferment periods are excluded from the 10-year repayment period. For example, a graduate who has used three years of deferments still has a total of 10 years-- not 7 years to repay the NFLP loan.

NFLP borrowers are responsible for informing the lending institution of the end of the deferment period, and the institution is responsible for placing the graduate back in repayment status following the end of the deferment.

Forbearance

A lending institution may, based on its discretion, place a graduate's NFLP loan in forbearance when extraordinary circumstances such as poor health or hardships temporarily affect the graduate's ability to make scheduled loan repayments. Forbearance is limited to situations in which the graduate clearly intends to repay the NFLP loan obligation but is temporarily unable to comply with the existing repayment schedule. See Collections under the HRSA Student Financial Aid Guidelines web site for other HRSA loan programs at http://bhpr.hrsa.gov/dsa/sfag/Financial_Management/financial_management.html for additional information.

During periods of forbearance, the graduate's obligation to make payments on interest and principal may be either reduced or eliminated. Interest on the loan continues to accrue at the prevailing market rate but is not required to be paid during this period. During the period of forbearance, NFLP borrowers may repay the interest if they wish but is not required to do so.

A graduate must request forbearance by submitting a completed Request for Forbearance form (**EXHIBIT J**) to the institution. Institutions must notify NFLP borrowers in writing of their approval or denial of the forbearance request and document that decision in the graduate's file.

Forbearance periods may be up to 6 months each. Institutions may grant a borrower no more

than 2 forbearance periods without seeking the prior approval of HHS. Periods of forbearance are not excluded from the graduate's 10-year repayment period.

Institutional Responsibility in Repayment Process

See Collection under the Fiscal Management web site (link above) for information on accounting requirements, debt collection requirements (e.g., due diligence), cash management requirements, program monitoring and audits.

Exit Interview

Institutions must conduct and document exit interviews with NFLP borrowers (individually or in groups). Institutions have the discretion in deciding which office (e.g., financial aid or dean's) will be responsible for the exit interview, and for determining the specific format of the exit interview as long it obtains the following documentation:

- Evidence that the graduate was reminded of his or her rights and responsibilities concerning the terms and conditions of the loan.
- The graduate's current address, telephone number, and other information needed for loan collection. (See **EXHIBIT I**)

If a graduate fails to appear for an exit interview the institution must attempt to conduct the exit interview by mailing the exit interview information to the graduate and requesting that a copy of the repayment terms and the rights and responsibilities form or statement be signed and dated, the personal information form be completed and dated, and these items be returned to the institution.

If the graduate returns the information as requested, this will serve as documentation that the exit interview was conducted. See Collections under the Fiscal Management web site for more information on exit interviews.

Exhibit Forms

The exhibit forms are to be used as template documents in administration of the NFLP, with the exception of the Promissory Note (**EXHIBIT A**). The forms are available for institutional use at <http://bhpr.hrsa.gov/nursing/grants/nflp.html>. Institutions may modify the sample exhibit forms listed below and may be used in an electronic format.

EXHIBIT A - NFLP Promissory Note (*Amended 2012*)

EXHIBIT B - Statement of Rights and Responsibilities

EXHIBIT C - NFLP Loan Application

EXHIBIT D - Certification of Employment Form

EXHIBIT E - NFLP Request for Partial Cancellation

EXHIBIT F - Disability Checklist

EXHIBIT G - NFLP Request for Postponement of Installment Payment

EXHIBIT H - NFLP Deferment Form

EXHIBIT I - Exit Interview – Questionnaire
EXHIBIT J - Forbearance Request Form